

INTUNE INDIRECT

Karnataka HC reinforces export benefit for independent service providers

In a significant judgment, the Karnataka High Court, in the case of *Columbia Sportswear India Sourcing Pvt. Ltd. vs UOI & Ors.* [TS-421-HC(KAR)-2025-GST], directed the Revenue to refund IGST along with applicable interest within three months, while quashing the classification of export customer support services as ‘intermediary services’ under Section 2(13) of the IGST Act.

Background & Key Findings: The Court examined the “Buying Support Services Agreements” and arrived at the findings that the assessee’s role—comprising market intelligence, factory and supplier surveys—was performed independently, in its own name, and without representing or binding the overseas service recipient in any capacity. This commercial independence was held as indicative of a principal-to-principal relationship.

While arriving at its conclusion, the Court relied on a comprehensive analysis of precedent, including *Amazon Development Centre India, Bharati Cellular Ltd., and Future Gaming Solutions*, along with relevant Circulars and Notifications, to affirm that the services provided qualified as export of services and did not fall within the scope of intermediary services.

Key Legal Distinctions Clarified: To distinguish an “intermediary” from an independent service provider, the Court highlighted five critical factors:

INTUNE INDIRECT

1. The service provider's role in arranging or facilitating supplies;
2. Presence of three distinct parties;
3. Whether the service provider acts **on behalf** of the principal;
4. Triangular nature of the relationship;
5. Absence of any such tripartite structure excludes the scope of intermediary services altogether.

The Court also underscored the nuanced distinction between an “intermediary” under the IGST Act and an “agent” under the CGST Act, stating that while both act on behalf of another, an intermediary's role is limited to facilitation or arrangement—not independent service delivery.

On Limitation: On the aspect of rejection of refund claim being time barred, the Hon'ble Court invoked Notification No. 13/2022 to extend the limitation period, thereby holding the refund claim as not being untimely.

INTUNE INDIRECT

VA Comments:

This judgment is a **crucial reaffirmation** that characterisation of cross-border B2B services must be based on substance and contractually defined roles—underscoring that lawful exports must not be denied benefit due to erroneous interpretation of intermediary provisions.

